

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – SEPTEMBER 24, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Aidan Moore, Chief of Enforcement; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending 9/21/03 shows retail sales were up almost 7.5%, on-premise sales were up 13.2%, off-premise sales were up 23.2%, and total aggregate sales were up 10.6%. The traffic count increased by 6,203, as did the average sales ticket by \$.66.

The W-1 Total Weekly Sales report for the same week confirms total sales for the week were up 10.6% or \$636,751, and were also up for the year by 9.2% or \$7,742,644. Wine sales for the week increased by 13.2% or \$352,812, while they increased by 9.7% or \$3,540,771 for the year. Sales of spirits were up 8.54% or \$283,939 on a weekly basis, as they were by about 8.8% or \$4,201,873 for the year.

B. Budget Reports:

The workmen's compensation figures for August 2003 will be posted within a few days and will be reviewed at next week's meeting.

Last week the Commission approved a policy to be enacted whereby it would be required for a footer note to appear at the bottom left-hand corner of all written correspondence and documents for purposes of identifying the author and retrieving the file, if needed. IT will issue a user i.d. to everyone soon so this can be accomplished.

Yesterday Craig attended the Human Resources portion of a meeting regarding the new IFS system. This session will help consultants deal with shortcomings of the current system relative to HR and some other areas. The goal is to make this process as electronic as possible to help eliminate paperwork.

Work is starting with OIT staff on the Enforcement licensing project. We are pursuing a final quote from the company providing the software. Craig is expecting to hear shortly from Commissioner Hill as to what the procedures are for applying for venture fund money. He will keep the Commission updated on this.

Regarding the weekly statistical reports, Tina has been asked to add year-end reports from last year for comparison purposes. Craig asked that he be notified if any particular reports are desired.

The House Ways & Means Committee has requested a meeting with the Commission on October 8th for an update on revenues. Craig will bring down these numbers for the Commission's review. He has also asked the Committee to consider another time on that date, as it coincides with the scheduled Governor and Council meeting.

The W-6 Expenses Budget Activity Variance Report shows the year to be at about 22% expended. Major concerns at this time are temp funds and Store Operations. George will provide some reports today comparing current figures with last year.

The auditors have completed their work and have left headquarters. They did comment on stock floor adjustments and felt there should be some written procedures in place covering slow moving inventory. George did speak with Howard about adjusting information in the system.

The American Express contract is going over to Administrative Services today, and will be on the October 8th Governor and Council agenda.

Work is continuing on the 2003 Annual Report, and it is hoped everything will be completed by early next week.

There was a meeting held last with representatives from the LBA, Sweepstakes and Joe Bouchard relative to employee incentive payments. Craig asked permission for this program to continue. Should there be a winning ticket in one of stores, the Commission would be notified by Sweepstakes. Documentation would be presented to Governor and Council showing a breakdown of what each employee at the store would be entitled to. If approved, checks would then be cut. However, the LBA would see this income and require that taxes be deducted, which might result in some very small checks. Craig, however, felt that this program was important to employee morale. It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the sweeps incentive program continue as outlined in Craig Bulkley's memorandum of September 22, 2003. The motion was unanimously adopted.

2. IT Reports

The major problems which occurred last week seem to have been resolved, with the exception of a couple of minor issues. It appears that all computers are back up and functional again.

There was a meeting yesterday at the Enforcement Bureau regarding web design, which should be functional by the end of October.

OIT will be returning the RiTA box, which will be tested today.

Howard will be attending a meeting regarding the new ERP systems.

Mapper training will begin shortly, mainly for the Marketing Department, on how to obtain data and how it relates.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 9/21/03 were up 7.36% or \$352,719.60. Peter commented that the Highland Games which took place last night have had an effect on increased sales.

The first wave of early inventory is taking place this week and keeping Store Operations very busy.

The drawing of the Summer Splash sweepstakes pool took place yesterday, with a customer from Connecticut being the winner. Tomorrow night the introduction to the wine discount program will be held in five stores from 6:00 to 8:00 p.m. The grand opening for the Salem store will take place at 10:00 a.m. on Friday. The winner of the Jaguar lease was a customer from Epping.

The Store Operations manual has been revised and will be submitted to the Commission for approval.

The stores are still in the process of working through some issues with the new payroll system.

2. Purchasing Report

John Bunnell spoke with Paul Powers relative to the out-of-stock situation with Finlandia Vodka. 1,600 cases are due to come in on October 10th. There have been some difficulties getting information from one of the brokers regarding inventory on their products.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Nyak Cognac):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Perfecta Wine Company/A. de Fussigny Cognac for a new test marketing listing for Nyak Cognac, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Xalixco Gold & Silver Tequilas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Perfecta Wine Company/Casa Xalixco Imports LLC for new test market listings for Xalixco Gold Tequila, 750ML size (assigned Code #3933) and Xalixco Silver Tequila, 750ML size (assigned Code #3931), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Line Extension Request (DeKuyper Sour Apple Pucker, 1.75L):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands for a line extension on DeKuyper Sour Apple Pucker, 1.75L size (assigned Code #5713), as this brand in the 375ML and 750ML sizes have each earned their respective gross profits required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Line Extension Request (Mr. Boston Dark Rum, 750ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands for a line extension on Mr. Boston Dark Rum, 750ML size (assigned Code #4396), as this brand in the 1.75L size has earned the gross profit required for an added size

listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) One Time Buy Mark Down (Three Olives flavored vodkas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a markdown price on Three Olives Raspberry, Cherry and Vanilla 1.75L size flavored vodkas which were part of a one-time buy, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One Time Buy Mark Down (E & J Cask & Cream):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Pine State Trading Company/E & J Gallo Winery for the Commission to purchase and mark down the price on delisted Code #5441, E & J Cask & Cream, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) November Special Offers:

a. 4 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of four (4) spirit items, to be featured on sale during November 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 100 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of one hundred (100) spirit items, to be featured on sale during November 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 96 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of ninety-six (96) spirit items, to be featured on sale during November 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) New Wine Product listings (general distribution – Codes #31186 & #37792):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the general distribution of Code #31186, Merlot Almaden California, 5L size and Code #37792, Pinot Noir Blackstone Monterey, 750ML size, each of which have earned a gross profit of at least \$6,500 during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Special Offers for Thanksgiving 2003:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers, based upon depletions of six (6) wine items, to be featured on sale during the Thanksgiving 2003 sale, scheduled for Thursday, November 20 through Sunday, November 30, 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Special Offers for November 2003:

- a. 16 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery, based upon depletions of sixteen (16) wine items, to be featured on sale during November 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 1 item – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Martignetti Companies of N.H., based upon depletions of one (1) wine item, to be featured on sale during November 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 60 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of sixty (60) wine items, to be featured on sale during November 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 1 item – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from United Beverages, Inc., based upon depletions of one (1) wine item, to be featured on sale during November and December 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 155 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and fifty-five (155) wine items, to be featured on sale during November 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Bordeaux Union Leader Ad:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an offer from United Beverages, Inc./Diageo Chateau & Estates to place four Bordeaux wine codes on the sales floor during November 2003, as recommended by Nicole Horton, Wine Marketing

Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) DeLoach Purchase:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H./DeLoach Vineyards for the Commission to make a special purchase of Code #24647, DeLoach Chardonnay, to be featured on sale from October 2003 through January 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Close Out Pricing for United Beverages:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close-out pricing for twenty-two (22) wine codes, to be purchased and distributed as needed to close-out locations, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Wine Sweepstakes:

a. Redwood Creek Holiday Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from E & J Gallo Winery to conduct a sweepstakes (one consumer to win a home theater system) during November and December 2003 in promotion of six (6) Redwood Creek wine codes, as approved by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Black Opal & Greg Norman Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/Beringer Blass Wine Estates to conduct a sweepstakes (five consumers to win a hot air balloon ride for two) during November and December 2003 in promotion of three (3) Black Opal and three (3) Greg Norman wine codes, as approved by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Allied Domecq Holiday Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/Allied Domecq Wines USA to conduct a sweepstakes (twenty-five consumers to win a NHSLC gift card) during December 2003 in promotion of four (4) wine codes, as approved by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Sterling & Beaulieu Vineyards Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Diageo Chateau & Estates to conduct a sweepstakes (one consumer to win a Vinotheque Custom Wine Cellar) during November and December 2003 in promotion of three Beaulieu Vineyards and four (4) Sterling wine codes, as approved by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Blackstone & Barossa Valley Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Pacific Wine Partners to conduct a sweepstakes (two consumers to win snowmobiles) during November and December 2003 in promotion of five (5) Blackstone and two (2) Barossa Valley wine codes, as approved by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Build Your Own Wine Cellar Holiday Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Stimson Lane Wine Company to conduct a sweepstakes (three consumers to Euro Caves and NHSLC gift cards) during November and December 2003 in promotion of six (6) Columbia Crest and five (5) Chateau Ste. Michelle wine codes, as approved by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Robert Mondavi Wine & Food Holiday Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H./Robert Mondavi Winery to conduct a sweepstakes (two consumers to win a weekend stay for eight people at the Bedford Village Inn) during November and December 2003 in promotion of ten (10) Robert Mondavi wine codes, as approved by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

h. South Corp Holiday Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H./South Corp. to conduct a sweepstakes (three consumers to win a NHSLC gift card shopping spree) during November and December 2003 in promotion of seven (7) Rosemount wines, five (5) Lindemans wines and three (3) Penfolds wines, as approved by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

i. Carmenet Winery Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an offer from Horizon Beverage Company/Beringer Blass Wine Estates to conduct a Carmenet Winery Sweepstakes during November and December 2003, but that four (4) Carmenet wine codes be granted specialty status and sale pricing for both months, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Wine Specialty Products (12 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twelve (12) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) Recommended Allocated & Restricted Wines for Distribution to Selected Stores:

- a. 38 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirty-eight (38) allocated and restricted wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 84 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve eighty-four (84) allocated and restricted wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 10) Primary Source Submissions (13 items – exclusive agent; 41 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of thirteen (13) wine codes which are not from primary source, but are offered by the exclusive marketing agent and forty-one (41) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

